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Q2 Earnings Season's Greetings

1. Today's Trading Playbook

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Tonight, MSCI will announce its [August 2021 Quarterly Index Review \(QIR\)](#), which is this time around not touted as much by investors in the market as 3-6 months ago. Indeed, market consensus is that Egypt should see no changes in MSCI EM three constituents, namely CIB [**COMI**], Eastern Co. [**EAST**], and Fawry [**FWRY**], which replaced Elsewedy Electric [**SWDY**] three months ago. Meanwhile, we continue with the Q2 earnings season, picking on two names, namely Sidi Kerir Petrochemicals' [**SKPC**] and Egypt Kuwait Holding [**EKHO**].

SKPC's preliminary Q2 2021 bottom line came in at EGP131mn (-14% q/q). sequential slippage in bottom line came despite 4% higher revenues to EGP1,360mn, as GPM weakened by 59bps to 20.9%, leading to a flattish gross profit of EGP285mn (+1% q/q). We believe SKPC will be able to deliver a strong annual growth in 2021 due to a very weak base, yet the company could face quarterly headwinds arising from higher feedstock cost, which is higher from the one registered in 2020.

Elsewhere, **EKHO** released its H1 2021 figures, with attributable net profit equal to USD88mn, as the company reaped the fruits of long-term diversification, capitalizing on higher global commodity market and feedstock costs stability, especially within the fertilizer & petrochemicals segment in 2021. We continue to have a positive view on EKHO, supported by (1) EKHO's business model stability and management soundness, (2) the integrative feature among its segments, (3) being a perfect play on rallying global commodity markets, and (4) EKHO's new launches which include setting up a production line for sulfuric acid next year, besides the imminent commencement of operations for Nile Wood by Q3 2021. EKHO is currently traded at annualized H1 2021 P/E and EV/EBITDA of 6.4x and 5.3x, respectively.

POSITIVE

EKHO: A strong set of results in H1 2021.

Now, on to the top news and analysis for the day.

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt will receive a second 700,000 dose batch of the Johnson & Johnson vaccine in the coming period. ([Ministry of Health](#))

Two commodity trading houses have signed a contract with the Egyptian government to build an EGP2.2bn bulk grain terminal in East Port Said. ([The Cabinet](#))

Real estate firm Sky Abu Dhabi Developments is looking to invest EGP15bn (USD959mn) in Egypt in the next two years, including more than EGP4bn in two projects by end of this year. ([Reuters](#))

CORPORATE NEWS

Egypt Kuwait Holding Co.'s [EKHO] Q2 2021 bottom line expanded 52% y/y to USD45.2mn, guided by a 24% y/y growth in revenues to USD186mn. EKHO witnessed a 6pp GPM expansion as well as a 3pp expansion in its EBITDA margin as the company benefitted off the current rally in global commodity market, coupled with stability in feedstock prices. Growth in revenues came mainly in light of the contribution from fertilizer and petrochemicals segment, as its revenues grew 27% y/y to USD102.6mn. Meanwhile, EKHO's energy segment grew its revenues by 13% y/y to USD49.2mn, driven by growth in its electricity generation and distribution facility Kahraba. EKHO is currently traded based on annualized H1 2021 at a P/E and EV/EBITDA of 6.4x and 5.3x, respectively. ([Company disclosure](#))

Sidi Kerir Petrochemicals' [SKPC] preliminary Q2 2021 bottom line came at EGP131mn (-14% q/q). Sequential slippage in bottom line came despite 4% q/q higher revenues to EGP1,360mn, as GPM weakened by 59bps to 20.9%, leading to a flattish gross profit of EGP285mn (+1% q/q). ([Company disclosure](#))

Egyptian Chemical Industries' "KIMA" [EGCH] denied rumors that the company is looking for another contractor instead of Italian Tecnimont to complete stage 2 of KIMA I development. ([Company disclosure](#))

EgyTrans' [ETRS] H1 2021 preliminary financial indicators show consolidated net income of EGP6.4mn (-33% y/y) and revenues of EGP123.5mn (+22% y/y). ([Company disclosure](#)) ETRS trades at a TTM P/E of 46.2x.

Al Ezz for Ceramics & Porcelain [ECAP] turned to a net profit of EGP13.5mn in Q2 2021 from a net loss of EGP26.5mn in Q2 2020. Meanwhile, revenues leapt to EGP330.8mn in Q2 2021 (+218% y/y). ([Company disclosure](#)) ECAP trades at a TTM P/E of 40.1x.

AT Lease's [ATLC] H1 2021 results showed a bottom line increase to EGP96mn (+169% y/y) on the back of higher revenues of EGP323mn (+29% y/y). Revenues surge was a result of securitization proceeds. ([Company disclosure](#))

Contact Financial Holding [CNFN] reported H1 2021 net income of EGP218mn (+72% y/y). Although revenues registered EGP749mn (-67% y/y) due to securitization proceeds booked last year in the comparable period, the decrease in revenues was offset by lower total expenses (-79% y/y). ([Company disclosure](#))

Beltone Financial Holding [BTFH] reported H1 2021 net income of EGP9mn (from a loss of EGP16mn last year same period). BTFH's revenues surged 23% to EGP160mn. ([Company disclosure](#))

CI Capital Holding's [CICH] 90% owner, Banque Misr, is working on merging CICH's and the bank's leasing arms into one entity. CICH's major shareholder is planning to transfer some activities from Misr Capital, the bank's investment arm, to CICH. On a separate note, Banque Misr has lent EGP9bn since October 2020 through an express online loan for SMEs, according to the bank's vice president. ([Economy Plus, Hapi](#))

Raya Contact Center [RACC] reported net income after minority of EGP7mn in Q2 2021 (-28% y/y), mainly on higher SG&A of EGP28mn (+37% y/y) in addition to amortization costs of EGP14mn vs. no amortization costs a year ago. Slight growth in revenues to EGP194mn (+1% y/y) and an improved gross profit margin of 34% (+137bps) were not enough to help the company lift its net income. ([Company disclosure](#))

Obour Land for Food Industries [OLFI] reported higher H1 2021 net profit of EGP144mn (+3% y/y) on the back of higher revenues of EGP1.3bn (+4% y/y). ([Company disclosure](#))

Societe Arabe Internationale de Banque's [SAIB] net profit edged up to USD8.9mn in H1 2021 (+12.2% y/y), as net interest income (NII) grew to USD66mn (+6.5% y/y). Meanwhile, net lending reached USD1.9bn (+13.7% ytd), and deposits hit USD4.1bn (+6.0% ytd). ROAE remained unchanged at 5.2%. ([Bank release](#))

GLOBAL NEWS

The U.S. Senate has passed a sweeping USD1tn infrastructure bill that will provide hundreds of billions of dollars to upgrade America's crumbling transport systems in a big victory for President Joe Biden and his Democratic party. ([Financial Times](#))

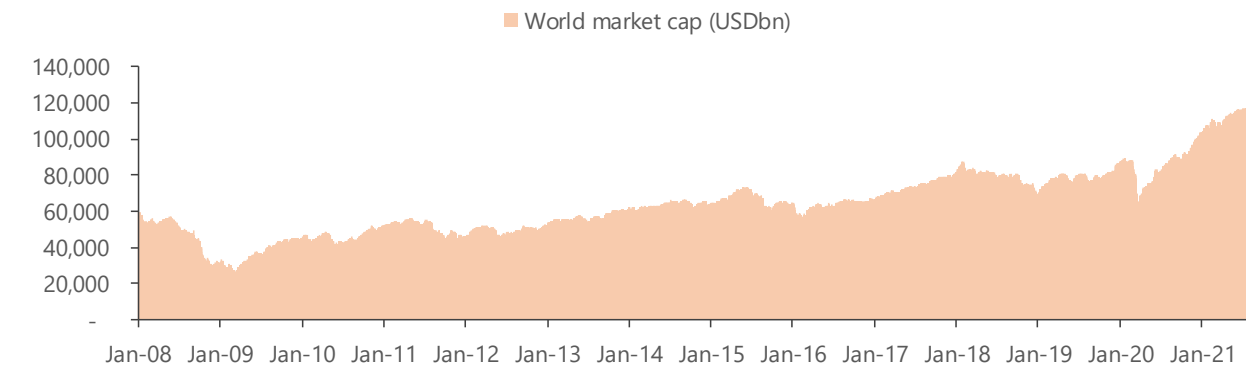
Small business owners across the United States grew less confident in the economic recovery in July as labor shortages remained an issue, according to a survey released on Tuesday. ([Reuters](#))

3. CHART OF THE DAY

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Sherif El Etr | Equity Analyst

seletr@egy.primegroup.org













































Source: Bloomberg.

World market cap hit a record high above USD117.3tn on 9 August 2021, reflecting investor appetite amid recovery in capital markets from the setback caused by COVID-19.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						713.4							
						daily chg.		ytd chg.					
		EGX 30	10,853.83	0.49%	0.08%			Gold	1,728.93	(0.06%)	(8.79%)		
		EGX 30 TR	4,233.52	0.64%	1.48%				Silver	23.34	(0.46%)	(11.51%)	
		EGX 70 EWI	2,866.77	0.44%	33.64%					Brent Oil	70.63	0.33%	36.80%
		EGX 100 EWI	3,845.23	0.26%	24.13%					WTI	68.29	0.25%	41.10%
		DFMGI	2,816.67	(0.24%)	13.03%					Natural Gas	4.09	0.49%	61.84%
		ADSMI	7,558.74	(0.19%)	49.79%		EGP			USD/EGP	15.73	0.17%	(0.26%)
		TASI	11,299.87	0.91%	30.04%	€		EUR/USD	1.17	(0.08%)	(4.13%)		
		QE Index	10,913.04	(0.25%)	4.57%	£		GBP/USD	1.38	(0.12%)	1.14%		
			S&P 500	4,436.75	0.10%	18.12%	¥		USD/JPY	110.57	0.15%	7.25%	
		Dow 30	35,264.67	0.46%	15.22%			6M TB yield	13.14	(1)	41		
		NASDAQ	14,788.09	(0.49%)	14.74%			1Y TB yield	13.26	1	49		
		VIX	16.79	0.42%	(26.20%)			10Y TB yield	14.80	(2)	41		
		STOXX 50	4,187.82	0.26%	17.88%			2Y TB yield	0.24	2	11		
EM		MSCI Emerging	1,300.33	0.47%	0.70%			10Y TB yield	1.36	3	43		
FM		MSCI Frontier	653.40	0.13%	14.30%			30Y TB yield	2.00	3	34		

* As of market close, except for commodities and currencies at 8.22am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

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[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

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DATE	TICKER	TYPE	EVENT
11-Aug-21	MOIL	BoD meeting	Discussing Q2 financial results.
11-Aug-21	MSCI		MSCI's August 2021 Quarterly Index Review announcement.
11-Aug-21	ISPH	BoD meeting	Discussing Q2 financial results.
14-Aug-21	HELI	OGM	Approving the estimated budget of FY 2021/22.
14-Aug-21	HELI	EGM	Amending articles of the bylaws.
15-Aug-21	COMI	Stock dividend	The deadline for eligibility for a 0.33-for-1 stock dividend.
15-Aug-21	MTIE	BoD meeting	Discussing Q2 financial results.
16-Aug-21	COMI	Stock dividend	Date for distributing a 0.33-for-1 stock dividend.
18-Aug-21	MOIN	OGM	Authorizing the board of directors to appoint a new member.
18-Aug-21	MOIN	EGM	Amending article 21 of the bylaws.
21-Aug-21	ELNA	OGM	Approving the financial statements and other agenda items.
22-Aug-21	PRCL	OGM	Reshuffling the board and discussing other agenda items.
22-Aug-21	PRCL	EGM	Amending the articles of association.
24-Aug-21	GOCO	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
25-Aug-21	NCCW	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
26-Aug-21	ELWA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Aug-21	EGTS	OGM	Approving the financial statements and other agenda items.
31-Aug-21	MBSC	Cash dividend	The deadline for eligibility for a dividend of EGP1.5/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
10-Aug-21	MACROView – July's Feverous Inflation
9-Aug-21	CI Capital Holding [CICH] – Robust Exit Saves the Day
5-Aug-21	MACROView – The Sky Is No Blue
4-Aug-21	MACROView – Constrained Recovery
26-Jul-21	EFG Hermes Holding [HRHO] – FV and 12MPT Adjustment to Bonus Share Action
13-Jul-21	Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth
8-Jul-21	MACROView – Inflation Edged Up, As Expected
8-Jul-21	MACROView – External Buffers Still Powering Ahead
6-Jul-21	MACROView – A Steady and Slow Recovery in the Making
5-July-21	Abu Qir Fertilizers [ABUK] – Talking U
16-June-21	B Investments Holding [BINV] – Strong Financials, Growing Investments

14-June-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
10-June-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
8-June-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
6-June-21	<u>MACROView – Further Enhancement</u>
3-June-21	<u>MACROView – Contraction Eased</u>
23-May-21	<u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u>
23-May-21	<u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u>
22-May-21	<u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u>
20-May-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u>
20-May-21	<u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u>
18-May-21	<u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u>
18-May-21	<u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u>
17-May-21	<u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u>
11-May-21	<u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u>
9-May-21	<u>MACROView – Stability Prevailed</u>
6-May-21	<u>MACROView – The Road to Recovery Gets Longer</u>
18-Apr-21	<u>MACROView – Challenges Remain Daunting</u>
13-Apr-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm</u>
12-Apr-21	<u>Orascom Construction [ORAS] – Rich in Value</u>
11-Apr-21	<u>MACROView – Monthly Reading Pressured By Seasonality</u>
6-Apr-21	<u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u>
6-Apr-21	<u>MACROView – Still Downbeat</u>
28-Mar-21	<u>Taaleem Management Services [TALM] – Enriching the Education Sector</u>
18-Mar-21	<u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u>
10-Mar-21	<u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u>
8-Mar-21	<u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u>
7-Mar-21	<u>Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines</u>
3-Mar-21	<u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u>
2-Mar-21	<u>MACROView – Commodity Supercycle: Real or Hype?</u>
1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
25-Feb-21	<u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u>
22-Feb-21	<u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u>



10-Feb-21	<u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u>
8-Feb-21	<u>Misr Chemical Industries [MICH]– Annually Wild, Quarterly Tamed</u>
4-Feb-21	<u>MACROView – External Buffers Are Still Restoring Grounds</u>
3-Feb-21	<u>MACROView – A Fragile Improvement but Favorable Sentiment</u>
3-Feb-21	<u>MACROView – External Woes vs. Cautious Optimism</u>
1-Feb-21	<u>STANDPoint – Egypt 2021 Investing Playbook</u>
14-Jan-21	<u>CI Capital Holding [CICH] – New Expansions = Further Growth</u>
10-Jan-21	<u>MACROView – Below End-of-Year Target</u>
6-Jan-21	<u>MACROView – On the Path to Further Recovery</u>
5-Jan-21	<u>MACROView – Rutted Road to Recovery</u>
28-Dec-20	<u>Elsewedy Electric [SWDY] – More Growth to Come</u>
22-Dec-20	<u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u>
16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
7-Dec-20	<u>MACROView – Restored Ground</u>
6-Dec-20	<u>MACROView – Lost Momentum</u>
3-Dec-20	<u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u>
25-Nov-20	<u>Misr Chemical Industries [MICH] – Pandemic Proof</u>
10-Nov-20	<u>MACROView – An expected rise as the new school year began</u>
4-Nov-20	<u>MACROView – The Stars Seem to Be Aligned for International Reserves</u>
3-Nov-20	<u>MACROView – The Highest Reading in Six Years</u>
25-Oct-20	<u>CIB [COMI] – Short-term pain for longer-term gain</u>
11-Oct-20	<u>MACROView – Disinflationary trend interrupted</u>
11-Oct-20	<u>MACROView – External strains are slacking and reserves are growing</u>
6-Oct-20	<u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u>
5-Oct-20	<u>MACROView – Egypt’s recovery is broadening</u>
10-Sep-20	<u>MACROView – A Stunning Chapter Towards Targets</u>
8-Sep-20	<u>MACROView – Crawling Out of the Troughs</u>
3-Sep-20	<u>MACROView – Job losses and the bumpy road to recovery</u>
18-Aug-20	<u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u>
13-Aug-20	<u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u>
10-Aug-20	<u>MACROView – Muted inflation environment still dominates</u>

Prime Securities

Shawkat El Maraghy

Managing Director

T +20233005622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +20233005784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +20233005612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head-Institutional Desk

T +20233005609

AAlaa@egy.primegroup.org

Mohamed ElMetwaly

Manager

T +20233005610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +20233005624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +20233008130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +20233005173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +20233005724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi El Nil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +20233005700/770/650/649

F +20237607543

Branches

Heliopolis

7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +20227770600

F +20227770604

Alexandria

7 Albert Al Awa St.
Smouha, Alexandria, Egypt

T +20233008170

F +20233054622

Website

www.primeholdingco.com

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